

Basics of Economics

Part 2: The Vocabulary Strikes Back...

- ✦ **ceteris paribus**: “all other things equal” – the assumption that all other things are held equal, or constant, except those under study
- ✦ **normative statement**: a statement about what *ought* to be – an expression of opinion that cannot be verified by observation
- ✦ **positive statement**: a statement about what *is* – an expression that can be verified by observation

- ✦ **microeconomics**: the study of economic behavior of households and firms and how prices of good and services are determined
- ✦ **macroeconomics**: the study of the economy as a whole and economy-wide issues, such as unemployment, inflation, and growth
- ✦ **utility**: the satisfaction or happiness you get from a good or service

- ✧ **economic growth**: the increase in an economy's real level of output over time (quantitative – more stuff)
- ✧ **development**: a process to improve the lives of the people in a country (qualitative – better stuff)
- ✧ **sustainable development**: development is sustainable only if a country's capital and land assets remain constant or increase over time

Factors of Production (revisited)

- ✦ the payment for land is “**rent**”
- ✦ the payment for labor is “**wages**”
- ✦ the payment for capital is “**interest**”
- ✦ the payment for entrepreneurship is “**profit**”

Ownership of Resources

- ✦ private
- ✦ public

Hop online right now and...

- ✦ find a news article that includes a normative economic statement
- ✦ find a news article that includes a positive economic statement